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Oilseeds and Products Update

China's Soybean Imports Expected to Hit another Record High in MY17/18

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Report Highlights:
Lower government support to corn production continues to stimulate Chinese planting of oilseeds, primarily soybeans. As a result, MY17/18 soybean acreage is up by 9.8 percent compared to the previous year. The acreage expansion together with expected good yield supports a higher forecast for MY17/18 soybean production of 14.2 million metric tons (MMT), or a net growth of 1.3 MMT from the previous year. However, China's rising demand for oilseeds continues to outpace the growth in domestic oilseed production. Chinese imports of oilseeds are expected to grow to another record forecast of 92.5 MMT in MY17/18, up by 1.5 MMT over the previous year estimate. Forecast economy growth of about 6.7 percent in 2017 and the ongoing modernization of China's domestic feed and livestock sectors continue to boost consumption of oilseed products. In addition, soybean meal use is also up partly due to a significant fall in imports of distiller's dried grains (DDGS) since January 2017.

Executive Summary:

Lower government support to corn production continues to stimulate Chinese planting of oilseeds, primarily soybeans. As a result, MY17/18 soybean acreage is up by 9.8 percent compared to the previous year. The acreage expansion together with expected good yield supports a higher forecast for MY17/18 soybean production of 14.2 million metric tons (MMT), or a net growth of 1.3 MMT from the previous year. However, China's rising demand for oilseeds continues to outpace the growth in domestic oilseed production. Adequate global supplies of oilseeds encourage Chinese importers to keep buying more soybeans with total imports estimated at 91 MMT in MY16/17, up by over 7.7 MMT compared to the previous year. MY17/18 soybean imports are expected to grow further to another forecast record of 92.5 MMT but the net growth is likely to level off mainly due to high carry out stocks from MY16/17. Chinese imports of U.S. soybeans were 35 MMT in MY16/17 and forecast to hold steady or grow slightly in MY17/18.

China's forecast economic growth of about 6.7 percent in 2017 and the ongoing modernization of the Chinese domestic feed and livestock sectors continue to boost consumption of oilseed products. In addition, soybean meal use is up partly due to a significant fall of DDGS imports as a result of China's high anti-dumping duties imposed on U.S. imports since January 2017. A significant increase in total Chinese oilseed acreage and production is unlikely to be realized mainly due to limited arable land and comparatively low productivity.

It is important to note that forecasting China's meal and oil use, and total oilseed demand remains a challenge given the difficulties in collecting data. Each part of the Chinese oilseed industry chain is comprised of a massive number of players. This is particularly true with data pertaining to rapeseed and peanut area and production; soybean use as food or feed; feed and livestock production; and the unknown volume of soybean and vegetable oils reserves.

Soybeans

Production

Post's forecast for MY17/18 soybean production is 14.2 MMT, up 1.3 MMT from MY16/17, and based on a forecast 9.8 percent increase in planted area and a relatively high yield. Post's forecast production is slightly higher than the USDA August 2017 official forecast of 14 MMT. The forecast recovery in soybean area to 7.85 Million Hectares (MHa) is mostly due to reductions to the government's support for grain production, which lowered corn profits for MY16/17 and encouraged some farmers to switch from planting corn to soybeans in MY17/18.

As previously reported, starting in MY15/16, the government prescribed a lower purchase price for corn which cut corn earnings. Meanwhile, the government's "target price-based direct subsidy" for soybeans continued in MY16/17 in the four Northeastern Provinces. Soybean farmers in these provinces were compensated based on the difference between the market price and the target price and resulted in relatively stable soybean earnings.

In late March 2017, the Chinese government announced that for MY17/18 the "target price-based direct

subsidy" for soybeans will be replaced by a "market-oriented soybeans price plus a direct subsidy to soybean farmers." This generally continues to ensure that farmers will receive a subsidy for soybean planting during MY17/18. The Ministry of Agriculture (MOA)'s July report (released in mid-August) forecasts MY17/18 soybean production up by 13.8 percent to 14.7 MMT, based on a larger acreage of 8.2 MHa, up 13.6 percent compared the previous year. The high forecast is supported by an earlier survey which showed that the switch from corn to other crops, including soybeans, is higher than in previous forecasts in the provinces of Hebei, Shandong and Henan. In addition, in the eastern part of Inner Mongolia, farmers planted a larger area with soybeans and pulses instead of corn given the dry weather during the sowing season.

As of the end of July, the weather condition in the four northeast provinces has been generally favorable for soybean growth. By comparison, light drought was recorded in the eastern part of Inner Mongolia. However, the drought's impact on total soybean production is expected to be limited as increased rainfall in most of the northeast provinces during August provided adequate moisture to the crop.

China's National Grain and Oilseed Information Center (CNGOIC)'s latest report supports MOA's forecast increase in planted area to 7.9 MHa for MY17/18, up 9.7 percent over the previous year. According to the CNGOIC's latest report, the acreage of the largest soybean-producing province, Heilongjiang, is up 15.8 percent and reached 3.3 MHa in MY17/18. This is the largest area since 2011. Given the acreage growth and expected slightly high yields, CNGOIC forecast for MY17/18 soybean production is 14.4 MMT. Based on current soybean growth and weather conditions, Post expects soybean yields in MY17/18 will be similar to previous years at around 1,809Kg/Ha.

China's Soybean Area and Production by Major Sources (in 1,000 tons; 1,000Ha)

Years	MY15/16		MY16/17		MY17/18	
	Area	Production	Area	Production	Area	Production
MOA	6,590	1,161	7,202	1,294	8,196	1,473
CNGOIC	6,506	1,178	7,200	1,300	7,900	1,440
China JCI		1,051		1,185		1,430

Source: 2017 August Updates by MOA, CNGOIC and ChinaJCI

Stocks

Industry sources speculate that currently the government's soybean reserves are estimated at about 4.4 MMT. Industry sources expect the government may auction part of these stocks during the second half of 2017. Given the government's suspension of direct purchases of domestic oilseeds, and the maintenance of a moderate vegetable oil reserve to regulate the market, MY17/18 soybean ending stocks are forecast to stay high at 19.1 MMT. This is compared to 19.3 MMT at the end of MY16/17, mostly due to excessive imports.

Trade

MY17/18 soybean imports are forecast to set another record at 92.5 MMT from the estimated 91 MMT in MY16/17. The increase is driven by China's robust consumption of soybean products (meal and oil) which continues to outpace the growth in domestic soybean production. The forecast for MY17/18 domestic soybean production and imports support a crushing volume forecast of 91.5 MMT. The forecast MY17/18 soybean crushing volume is an already high 5 MMT net increase from the previous year.

It is worth noting that the net import growth in MY17/18 (1.5 MMT) is considerably lower than the high 7.8 MMT seen in MY16/17. Adequate global soybean supplies at competitive prices have encouraged Chinese buyers to increase imports since late 2016. However, the resulting high soybean stocks left at the end of MY16/17 will temper net import growth in MY17/18.

In July 2017, China's monthly soybean imports hit a record of over 10 MMT partially due to the government's reduction (two percentage points) to the value added tax that went into effect on July 1, 2017. During the second quarter of 2017, the rapid increase of soybean imports left crushing plants with high soybeans and soybean meal inventories. Soybean volumes could have been even higher if some traders had not chosen to re-sell some of their shipments to other markets during July and August. Some crushing plants were forced to suspend operations to ease stockpiles of soybean meal. Since February 2017, soybean crushing margins have turned negative and this trend is expected to continue during the last months of MY16/17. In June 2017, Chinese media reported the government reiterated its ban on imported soybeans for food use. This lowered the possibility for crushers to process imported soybeans for food use and increased the pressure of relatively high soybean stockpiles.

Post's estimates MY16/17 soybean imports at 91 MMT, a net increase of 7.8 MMT from the MY15/16 level. Given the relatively high carry in stocks and a net increase of 1.3 MMT in domestic soybean production for MY17/18, the rapid soybean import growth is unlikely to continue in MY17/18. Hence, Post's forecast for MY17/18 soybean imports is up to 92.5 MMT, a net growth of 1.5 MMT from MY16/17.

China's soybean exports, mostly destined for traditional food use, are forecast at 150,000 tons for MY17/18. This export volume is slightly up from the estimate in MY16/17 but still insignificant to China's soybean complex.

Rapeseed

Over-reported rapeseed production may partially drive soybean imports

Post forecasts MY17/18 rapeseed production to fall to 13.1 MMT based on a 3 percent decline in area compared to the previous year. The area decline is in response to lower profits and the abolishment of the government's price support in 2015. In its August report, CNGOIC raised its MY17/18 rapeseed production estimate to 14.3 MMT based on a good yield of 1,992 Kg/Ha, despite a declined acreage of 7.18 MHa. Notwithstanding its previous estimate of 14 MMT, in its August report, CNGOIC echoed the NSB official MY16/17 rapeseed production of 14.55 MMT. Many industry sources continue to view the official rapeseed production data as overestimated.

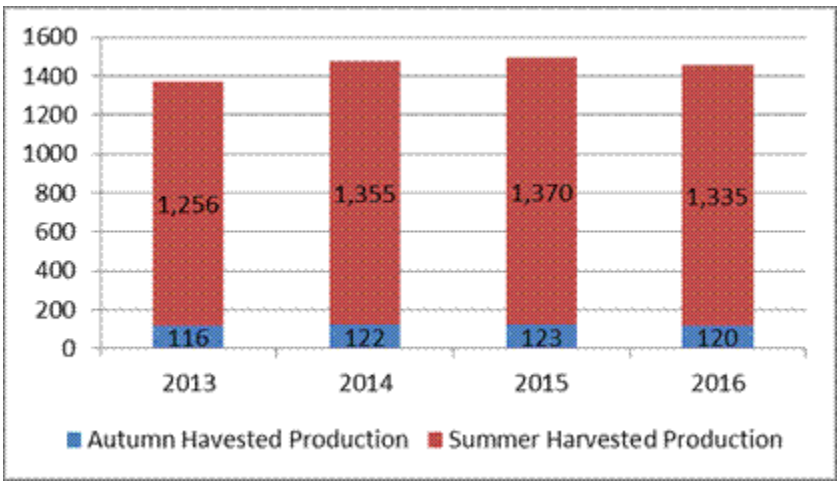
Post's field visit to Hubei and Hunan in mid-July showed the MY17/18 rapeseed production is down in Hunan and Hubei. Low rapeseed production has driven price up and expedited the marketing of the new crop. Rapeseed yield is slightly up mainly due to favorable weather conditions during the harvest season. In recent years, the strong demand for rapeseed oil with its original flavor (crude rapeseed oil/not refined) has stimulated household crushing. Additionally, low profits from rapeseed farming not only forced some farmers to abandon rapeseed planting but also encouraged them to crush the seeds locally and retain the rapeseed oil for home use. Only in the event that there is extra rapeseed oil, will the oil be sold locally at a premium. This is due to the local consumer preference for original flavor over the refined oil sold at the supermarkets. However, local villagers expressed doubt on the safety and purity over the refined oils in the supermarkets. Rapeseed cake is generally marketed locally as a feed ingredient and only rarely as fertilizer.

According to MOA, as of July 25, total purchased volume by the "crushers covered under the provincial grain bureau" in the rapeseed-producing provinces was 0.95 MMT, up by 0.25 MMT from the previous year and compared to the total MY16/17 purchased volume of 1.16 MMT. Note: The "crushers covered under the provincial grain bureau" refers to the relatively large scale rapeseed crushers traditionally included in the provincial statistics. Post estimate for MY16/17 rapeseed production is 13.5 MMT, supporting the August USDA official estimate, but still lower than the NSB and CNGOIC estimate of 14.55 MMT.

MOA's report indicated that MY17/18 rapeseed production in Hubei increased by 3.9 percent to 2.51 MMT with higher output value and profits for farmers compared the previous year. In its August report, MOA stated that due to an acreage increase and good yield, MY17/18 rapeseed production increased 3.8 percent and reached 2.5 MMT in Sichuan province. Conversely, MOA expects a decline in rapeseed production for Jiangsu Province in MY17/18. The MY17/18 spring rapeseed area in the northwest provinces is projected to stay generally stable.

The following chart shows NSB production for the last 4 years. The autumn harvested rapeseed production appears to be stable. The summer harvested rapeseed production remains high. However, this volume is not widely recognized by industry sources as the actual production level.

Chart 1 - China's Official Rapeseed Production (2013-2016; in 1,000 tons)



Source: NSB; Note: Autumn harvested production refers to combined rapeseed production by Inner Mongolia, Gansu, Qinghai, Xinjiang, Tibet and Ningxia; 2016 autumn harvested production estimated by Fas/Beijing

Since MY12/13, the gap between the NSB and the industry rapeseed production estimate has increased significantly, with an average annual difference of more than 5 MMT. An independent source continues to estimate an extremely low production of 5.22 MMT for MY16/17 based on firsthand anecdotal market information from farmers and crushers. Its forecast production for MY17/18 will further slide to 5.13 MMT. Post believes the production data gap exists but might not be as large as 5 MMT per year. As mentioned above, as household rapeseed crushing gains popularity in the large rapeseed-producing provinces such as Hubei and Sichuan, large crushing plants are increasingly facing a shortage of rapeseed to meet their crushing capacity. This adds a challenge to industry sources collecting data and developing estimates.

Post supports a lower rapeseed production based on interviewed feed mills in Hubei Province. In recent years, feed mills have reportedly reduced meal inclusion rate significantly in their aqua feed formula. All feed mills agree that rapeseed meal and cottonseed meal can be fully replaced by soy meal in swine and poultry feed provided that the soybean meal price is no more than RMB500/ton greater than the rapeseed meal price.

Trade

Rapeseed imports in MY17/18 are forecast to recover to 4.3 MMT from the estimated 4.1 MMT in MY16/17. In light of the forecast decline in domestic production in MY17/18 and the excess crushing capacity, rapeseed imports are expected to recover moderately in MY17/18 to meet domestic demand for rapeseed products and to satisfy the domestic crushing capacity.

Peanuts

MY17/18 peanut production hits another record

In MY17/18, China's peanut production is forecast to hit another record at 17.5 MMT, up from the estimated 17 MMT in MY16/17. In its August report, CNGOIC adjusted its MY16/17 peanut production in alignment with NSB released production of 17.29 MMT, compared to CNGOIC's previous estimate of 17.7 MMT. However, CNGOIC maintained its forecast MY17/18 production at 18.1 MMT. CNGOIC forecast peanut acreage for MY17/18 is up 4.2 percent at 4.95 MHa. Driven by strong domestic demand for peanut products, peanut farming has been the most profitable crop in many peanut-producing provinces (namely Henan, Shandong, Hebei and Liaoning). Peanut area is also partially boosted by the government's lower price support for corn in these provinces since 2015. MOA's August report indicated healthy growth for peanuts in Hebei, Henan and Shandong Provinces due to adequate and timely rainfall during July and August. MOA estimated Henan peanut acreage reached 1.29 MHa in MY17/18, up 6.1 percent from MY16/17.

Based on an industry field survey in mid-August, China is expected to have a big harvest of peanuts in MY17/18 given growth in acreage combined with good yield due to favorable temperature and rainfall. Following a 13 percent production growth as forecast by some industry sources, MY17/18 peanut production could reach 19.5 MMT based on the NSB's 17.29 MT for MY16/17. Industry insiders, however, have lower estimates for MY16/17 production. An independent source made a much lower production estimate of 10.8 MMT for MY16/17 and a forecast of 12 MMT for MY17/18. Industry traders speculate that during the past two marketing years, higher domestic peanut prices may be indicative of a lower peanut production than what is officially reported.

Top Five Peanut Producing Provinces

(Area: 1,000 Ha & Prod: 1,000 tons)

MY	MY15/16		MY16/17		MY17/18	
	Area	Production	Area	Production	Area	Production
Henan	1,075	4,853	1,120	5,020	1,150	5,250
Shandong	740	3,194	775	3,410	820	3,630
Hebei	343	1,274	350	1,300	380	1,425
Guangdong	366	1,090	370	1,075	375	1,130
Liaoning	278	448	280	780	330	735
Nation	4,616	16,440	4,750	17,290	4,950	**18,100**
Nation Yield Kg/Ha	3,562		3,640		3,657	

Source: Data based on CNGOIC

Trade

MY17/18 imports are forecast at 400,000 tons, unchanged from the estimate for MY16/17. Peanut imports reached a record of 541,000 tons in MY15/16 primarily due to more favorable prices for imported peanuts. Imports of peanuts for food use remain low due to sufficient domestic supplies. In MY15/16, China's imports of peanut oil continued to be high at 113,400 tons from the average 70,000

tons prior to MY14/15. Peanut oil imports are estimated at 100,000 tons for MY16/17, and expected to stay unchanged in MY17/18 (equivalent to 315,000 tons of in-shell peanuts).

Nonetheless, peanut imports could potentially increase as Chinese crushers prefer to import peanuts to crush rather than import peanut oil. China's zero import duty for peanut imports from West African countries is expected to encourage peanut imports from this region in the long term. In general, the share of imported peanuts remains small compared to China's overall consumption. However, given China's rising peanut production, peanut imports could fall significantly if the price gap between domestic and global prices fails to offset the duty and the value added tax.

Chinese peanut exports are expected to level off to 600,000 tons in MY 17/18 from the estimated 650,000 tons in MY16/17. An increase in production may strengthen exports in search for better profits. Major market destination for Chinese peanuts exports are Japan, Korea, and ASEAN countries.

Cottonseed production is up to 9.5 MMT in MY17/18

Cottonseed production in MY17/18 is forecast to increase to 9.5 MMT, up from the estimated 8.9 MMT in the previous year. Post forecast for MY17/18 cotton production is 5.36 MMT, up 7.1 percent over the previous year. This forecast is based on updated information received from all industry sources, a forecast area increase of 5.9 percent, and expected good yield. MY17/18 cotton acreage recovered in response to an increase in domestic cotton prices and improved profits in MY16/17.

Based on a survey conducted in July, the China Cotton Association (CCA) forecast for MY17/18 cotton production is 5.42 MMT, up 9.2 percent over MY16/17, and higher than its previous data of 5.37 MMT. By region specifically, MY17/18 Xinjiang production is up 8.2 percent from the previous year to 4.27 MMT, based on a 5.6 percent increase in acreage and 2.4 percent yield growth. Forecast MY17/18 production for the Yangtze River and the Yellow River regions are both up by 13 percent from the previous year, standing at 0.51 MMT and 0.55 MMT, respectively. MOA's August forecast for MY17/18 production is 5.28 MMT, up 9.5 percent compared to MY16/17. The higher production is the result of an acreage growth of 6.2 percent and a yield gain of 3.1 percent compared to the previous year. Major sources agree that as of the end of July 2017, weather conditions for most of the cotton-growing regions remained generally favorable for cotton growth. The impact of diseases and pests is reportedly low.

Protein Meal Situation and Outlook

Protein meal consumption stays robust

China's demand for protein meal continues to rise in MY17/18 mainly based on forecast high GDP growth (up 6.7 percent in 2016 and similar in 2017) and the corresponding increase of per capita disposal income which boosts demand for more and better quality animal products (see China Oilseeds Annual Report). Post forecast for MY17/18 China's soy meal use for feed is 69.79 MMT, up by 3.7 MMT from 66.08 MMT in MY16/17. In MY17/18, soybean meal continues to be the major protein source, accounting for 77.7 percent of the total protein meal consumption used for feed, compared to 77.1 percent in MY16/17.

Preliminary industry statistics show China's total feed production exceeded 115 MMT during the first 5 months of 2017. Feed production is up 6.6 percent compared to the same period last year. In the first half of 2017, the largest feed-producing province, Guangdong, reported a 19.2 percent growth in swine feed production from previous year. However, a report published in mid-August shows total feed produced by the 180 feed mills monitored by MOA declined by 0.9 percent compared to the same period last year. Specifically, feed production for layers, broilers, aquatics and ruminants all declined while swine feed increased by 10.4 percent from the previous year as indicated in the following table.

Feed Production by the MOA Monitored 180 Feed Mills in First Half of 2017

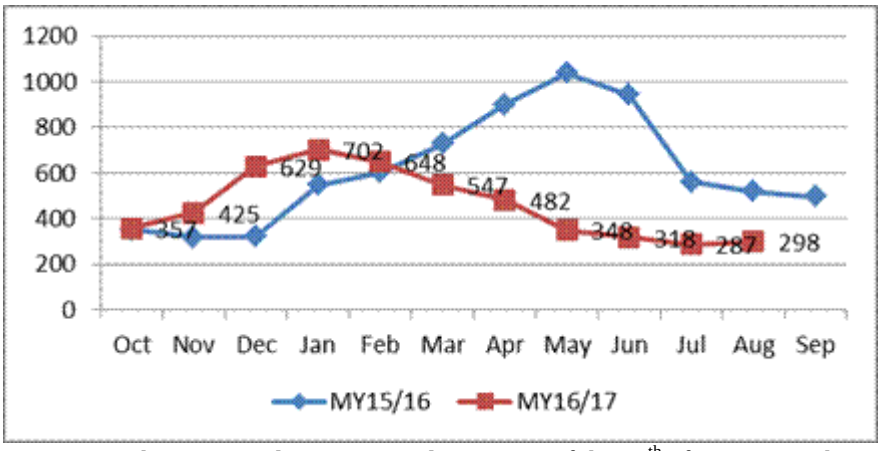
	Swine	Layers	Broilers	Aquatics	Ruminants	Others
Feed Production by Animal (1,000 tons)	3,858	1,597	2,299	643	541	100
Change over the previous year %	10.4	-11.0	-4.8	-5.6	-17.0	+17.6

Source: MOA and China Feed Industry Association

MOA expected swine and poultry feed production to recover in the second half of 2017. Despite various production estimates by different sources, Post favors a moderate feed production growth in 2017. This is based on the steady growth and advancement of the China's animal production sector with increases in scale farming which continues to drive industrialized feed production such as compound feed.

Since 2013, an outbreak of animal diseases and negative swine profits lowered the inventory of sows and swine through 2016. The government's strict environmental regulations further contributed to the significant fall in swine/sow inventory in eastern provinces. However, high swine profits since late 2015 stimulated a recovery of swine inventory through the first months of MY16/17. New swine farming capacity was mostly added in the four Northeastern provinces and some inland provinces. Swine profits remained high in first months of MY16/17 and continue to be attractive at about RMB300 ($45)/head in August 2017. MOA data shows total slaughtered pigs by MOA-monitored slaughterhouses stood at 104.32 million head, up 4.2 percent over the previous year. For the rest of 2017, industry insiders believe swine inventory will maintain its moderate recovery and swine profits are expected to stabilize or go up slightly from current levels. New investment in scale swine farms is increasing their use of technology and efficiency. As these farms increase their focus on improving animal nutrition, they are demanding more industrialized feed. Soybean meal inclusion in feed is expected to expand along with the growth of industrialized feed production.

Chart 2 - Swine Profit Margins (Oct 2015 to Aug 2017; RMB/Head)



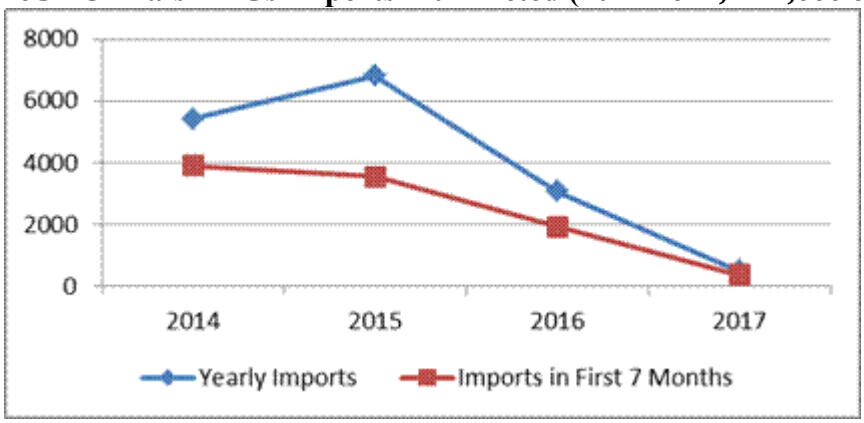
Source: China JCI Daily Report; Daily Average of the 20th of Every Month;
Exchange rate: $1= RMB6.8

China's aquaculture sector continued to grow in first half of 2017 with cultured aquatic products up by about 5 percent over the same period in 2016. Conversely, wild catch production declined by over 15 percent. The share of cultured aquatic products has reached more than 82 percent of the total production. Declining wild catch aquatic products are being replaced by more cultured products entailing higher demand for aquatic feed.

Poultry production grew steadily during the first months of 2017. However, the poultry industry experienced consecutive monthly losses due to declining prices for egg and meat. The decline in prices was primarily due to the quick production expansion since late 2016 that resulted in an oversupply of poultry products during the first months of 2017. Additionally frequent disease outbreaks impacted poultry meat and egg consumption. However, egg prices rebounded in June in response to high temperatures in some of the Southern and Northern poultry-producing provinces. MOA data shows that egg prices increased by 8.2 percent in June while poultry meat prices grew steadily in August. In 2017, the overall poultry production is expected to maintain an average growth.

Utilization of protein meal is partly boosted by lower imports of distiller's dried grains (DDGS) in 2017 and this trend is expected to continue. On January 11, 2017, China's Ministry of Commerce (MOFCOM) announced its final ruling on anti-dumping (AD) on DDGS from the United States. The announcement indicated that effective on January 12, 2017, importers were required to pay a combined duty and value added tax rate up to 91.26 percent of the CNF price. As a result, in 2017, China's DDGS imports will fall dramatically to an estimated 500,000 tons from the previous three-year average of over 5 MMT. This is equivalent to about 1 MMT less of protein supply. This gap in the domestic protein supply will need to be substituted by other protein sources, most likely soybean meal. Soybean meal consumption may also be driven by lower-than-actual supplies of other protein meals (namely rapeseed meal).

Chart 3 - China's DDGs Imports Plummeted (2014-2017; in 1,000 tons)



Source: Global Trade Atlas and 2017 data forecast by Post

High investment on scale swine farming demands more compound feed

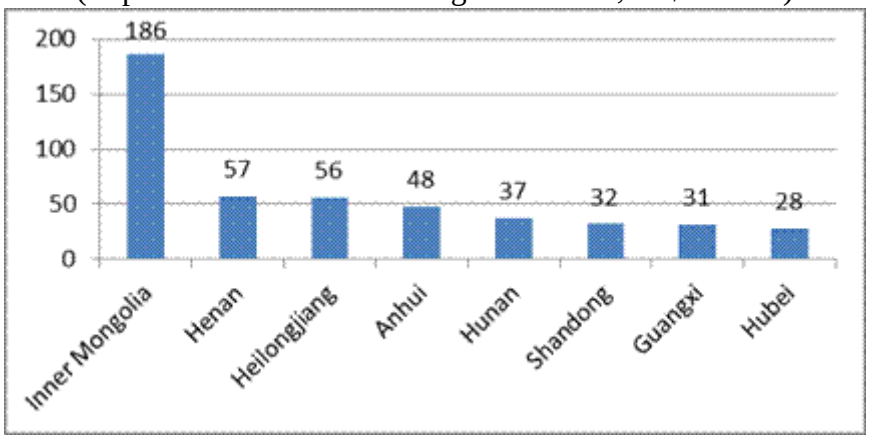
Based on industry statistics, total investment in animal farming by agricultural stock-listed companies surged to RMB49 billion ($7.2 billion) in 2016, ten times that of 2015. Out of the total, 84.5 percent ($6.1 billion) focused on swine farming with 153 newly added swine facilities located in 22 provinces and a small investment in Vietnam. It is estimated that 79 percent of these investments adopted a "company + swine farms/households" model, while 15.6 percent use the "whole production chain" (self-breeding and fattening) model. If the above swine producing-capacity comes to full operation, industry sources estimate that an additional 9 MMT of industry feed will be needed.

Feed companies reportedly accounted for the majority of the swine investment (about 83 percent) while animal farming companies contributed only 16 percent. Industry analysts believe that by engaging in swine farming, the feed companies may have an advantage in expanding their feed market share. Industry sources estimate that by the time these facilities are in full operation, an additional 27 million head of pigs could be slaughtered per year. By region, the new swine investment showed a significant move to the north with 59 percent invested in five Northern Provinces (Inner Mongolia, Henan, Heilongjiang, Shandong and Hebei). Inner Mongolia tops the list receiving a total investment of $1.86 billion.

Since 2016, the strict implementation of environmental regulations by local governments in the southern and eastern provinces resulted in the closure of many swine and poultry farms. However, in response to a "blind ban" on animal farming in some regions, MOA stressed that closures should comply with relevant development plans and farmers should be compensated. Additionally, technical solutions should be adopted to reduce pollution instead of farm's "blind closure." In general, the impact of animal farm closures on feed production appears to be limited as the new modern farming facilities that have gone into operation mostly use industrialized feed. However, the large expansion of swine farming in Inner Mongolia does raise concerns regarding waste management in the region due to tight water resources.

Chart 4 – 2016 China Swine Investment by Stock-Listed Companies

(Top 8 Provinces in Receiving Investment; in $ million)



Source: chinafeed.org.cn

Protein meal trade

Post forecast for MY17/18 soybean meal exports is 1.6 MMT, up from the estimated 1.4 MMT in MY16/17. Protein meal trade continues to be unstable. Sporadic imports/exports of some protein meals will continue in the foreseeable future. Both feed mills and crushing plants may choose to trade between nearby countries rather than domestic provinces to regulate the regional supply/demand. The difference in market prices, cost effectiveness, and more importantly, ease of transport are factors impacting trade decisions. With the exception of soybean meal exports, the total trade volume for other oilseed meals are expected to be insignificant in China's huge protein meal matrix.

Fish meal imports continue to be driven by the expansion of the aquaculture sector with imports estimated at 1.15 MMT in 2017 and likely to stand at 1.1 MMT in 2018. Imports remain strong in 2017 given the relatively adequate supply and low price.

Oil Situation and Outlook

China's consumption of vegetable oils is expected to grow in MY17/18 driven by a forecast 6.7 percent economic growth in 2017 leading to increase in disposable income and vegetable oil use.
Industry statistics show China's catering sales value increased 11.2 percent during the first half of 2017 compared to the previous year. High growth is seen in less developed provinces instead of developed regions including Beijing, Shanghai and Guangdong Province whose growth rate ranged from 7 to 8 percent in first half of 2017. Also, during the first months of 2017, industry sources report that the China's instant noodle sector production, known to use large volumes of palm oil, is recovering. Instant noodle production declined during 2014 to 2016 mainly due to consumers increased choices for take-out and more nutritional foods.

In its August report, MOA forecast for MY17/18 total vegetable oil consumption stood at 31.86 MMT, up 180,000 tons over the previous year. For comparison, CNGOIC's August forecast for MY17/18 vegetable oil consumption (as food use) is 34.15 MMT, up 1.55 MMT, or 4.8 percent from its MY16/17 estimate of 32.6 MMT. Additionally, CNGOIC's MY17/18 forecast for industrial use of vegetable oils

(mainly soy oil and palm oil) is 3.83 MMT compared to the 3.63 MMT estimate for MY16/17.

Post MY17/18 forecast for China's vegetable oil production is 27.8 MMT, this is based on increased use of imported soybeans and rapeseeds for crushing. In MY17/18, soybean oil will continue to be the primary vegetable oil in China, accounting for 58.8 percent of total oil production. In MY17/18, domestic consumption of oil for food use is forecast to grow 2.9 percent from MY16/17 to 33.2 MMT.

MY17/18 total oil imports are forecast at 7.14 MMT, slightly down from the 7.28 MMT in the previous year. Palm oil continues to dominate China's vegetable oil imports and is forecast to stay stable at 4.8 MMT in MY16/17 and 4.85 MMT in MY17/18.

Along with the government's sale of vegetable oil reserves, China's total vegetable oil stocks are expected to fall from the estimated 4.4 MMT at the end of MY16/17 to 3.83 MMT at the end of MY17/18. Based on a CNGOIC report, from October 2016 to the end of February 2017, the government sold 1.88 MMT out of the estimated 6.4 MMT of rapeseed oil reserves. As the oil reserves continue to age, there will be pressure for the government to hold auctions which is likely to create uncertainty in the Chinese vegetable oil market in 2017 and beyond.

Palm Oil

MY17/18 palm oil imports are forecast at 4.85 MMT, slightly up from the estimated 4.8 MMT in MY16/17. This level is higher than MY15/16 as a result of increased global supplies leading to more favorable prices.

As mentioned above, China's food processing industry uses large amounts of palm oil in processed foods, especially instant noodles. Instant noodle production reported to have a moderate recovery after continuously falling for the last three years. Industry sources stated that the instant noodle production and consumption both increased as a result of upgraded product quality which re-attracted consumers in 2017. Several large instant noodle brands reported growth in production of high-end products (more balanced in nutrition and value added) in the first months of 2017. Food use of palm oil is increasingly challenged by adequate availability of other vegetable oils at acceptable prices.

Statistics Tables

Oilseeds PSD Tables

Table 1. Soybeans

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Soybean (1000 tons; 1000 Ha)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate

		New		New		New
Market Year Begin		10/2015		10/2016		10/2017
Area Planted	6,600	6,506	7,200	7,150	7,600	7,850
Area Harvested	6,506	6,506	7,200	7,150	7,800	7,850
Beginning Stocks	17,009	17,009	16,910	16,910	19,190	19,290
Production	11,785	11,785	12,900	12,900	14,000	14,200
MY Imports	83,230	83,230	91,000	91,000	94,000	92,500
MY Imp. from U.S.	28,500	28,910	30,000	35,000	30,000	35,000
MY Imp. from EU	0	0	0	0	0	0
Total Supply	112,024	112,024	120,810	120,810	127,190	125,990
MY Exports	114	114	120	120	150	150
MY Exp. to EU	10	10	10	10	10	11
Crush	81,000	81,000	86,500	86,500	92,500	91,500
Food Use Dom. Cons.	11,100	11,100	11,500	11,400	12,000	11,600
Feed Waste Dom. Cons.	2,900	2,900	3,500	3,500	3,600	3,600
Total Dom. Cons.	95,000	95,000	101,500	101,400	108,100	106,700
Ending Stocks	16,910	16,910	19,190	19,290	18,940	19,140
Total Distribution	112,024	112,024	120,810	120,810	127,190	125,990
CY Imports	83,230	83,232	89,000	89,000	93,000	92,000
CY Imp. from U.S.	33,658	33,660	30,000	35,000	30,000	35,000
CY Exports	127	150	130	150	150	130
CY Exp. to U.S.	30	50	30	50	30	45

Table 2. Rapeseed

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Rapeseed (1000 tons;1000 Ha)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Area Planted	0	7,300	0	7,000	0	6,800
Area Harvested	7,534	7,300	7,000	7,000	6,800	6,800
Beginning Stocks	1,499	1,499	1,340	1,109	1,540	1,109
Production	14,931	14,300	13,500	13,500	13,100	13,100

MY Imports	4,011	4,011	4,100	4,100	4,300	4,300
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	20,441	19,810	18,940	18,709	18,940	18,509
MY Exports	1	1	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	18,500	18,100	16,800	17,000	17,300	17,100
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	600	600	600	600	600	600
Total Dom. Cons.	19,100	18,700	17,400	17,600	17,900	17,700
Ending Stocks	1,340	1,109	1,540	1,109	1,040	809
Total Distribution	20,441	19,810	18,940	18,709	18,940	18,509
CY Imports	4,200	3,565	4,000	4,000	4,400	4,300
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	1	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0

Table 3. Peanuts

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Peanut (1000 tons; 1000 Ha)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Area Planted	4,600	4,600	4,700	4,750	4,850	4,850
Area Harvested	4,616	4,600	4,750	4,750	4,850	4,850
Beginning Stocks	0	0	0	0	0	0
Production	16,440	16,440	17,000	17,000	17,400	17,500

MY Imports	541	541	400	400	500	400
MY Imp. from U.S.	0	292	0	100	0	100
MY Imp. from EU	0	0	0	0	0	0
Total Supply	16,981	16,981	17,400	17,400	17,900	17,900
MY Exports	484	484	650	650	600	600
MY Exp. to EU	50	50	50	50	50	50
Crush	8,800	8,850	9,000	9,000	9,300	9,250
Food Use Dom. Cons.	6,697	6,647	6,800	6,750	7,000	7,000
Feed Waste Dom. Cons.	1,000	1,000	950	1,000	1,000	1,050
Total Dom. Cons.	16,497	16,497	16,750	16,750	17,300	17,300
Ending Stocks	0	0	0	0	0	0
Total Distribution	16,981	16,981	17,400	17,400	17,900	17,900
CY Imports	523	500	430	450	580	520
CY Imp. from U.S.	0	285	0	100	0	100
CY Exports	512	500	530	500	550	550
CY Exp. to U.S.	0	0	0	0	0	0

Table 4. Cottonseed

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Cottonseed (1000 tons; 1000 Ha)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Area Planted (Cotton)	3,700	3,200	3,100	3,000	3,000	3,125
Area Harvested (Cotton)	3,050	3,200	2,900	3,000	3,125	3,125
Seed to Lint Ratio	0	0	0	0	0	0

Beginning Stocks	0	0	0	0	0	0
Production	8,600	9,580	8,800	8,900	9,600	9,500
MY Imports	75	75	160	75	150	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	8,675	9,655	8,960	8,975	9,750	9,600
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	7,500	8,355	7,600	7,625	8,350	8,240
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,175	1,300	1,360	1,350	1,400	1,360
Total Dom. Cons.	8,675	9,655	8,960	8,975	9,750	9,600
Ending Stocks	0	0	0	0	0	0
Total Distribution	8,675	9,655	8,960	8,975	9,750	9,600
CY Imports	35	76	150	78	150	100
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0

Meal PSD Tables

Table 5. Soybean Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Soybean (1000 tons)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Crush	81,000	81,000	86,500	86,500	92,500	91,500

Extr. Rate, 999.9999	0.792	0.792	0.792	0.792	0.792	0.792
Beginning Stocks	0	0	0	0	0	0
Production	64,152	64,152	68,508	68,508	73,260	72,468
MY Imports	24	22	55	20	30	21
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	64,176	64,174	68,563	68,528	73,290	72,489
MY Exports	1,909	1,889	1,300	1,400	1,400	1,600
MY Exp. to EU	30	190	30	180	30	180
Industrial Dom. Cons.	1,000	1,000	1,050	1,050	1,100	1,100
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	61,267	61,285	66,213	66,078	70,790	69,789
Total Dom. Cons.	62,267	62,285	67,263	67,128	71,890	70,889
Ending Stocks	0	0	0	0	0	0
Total Distribution	64,176	64,174	68,563	68,528	73,290	72,489
CY Imports	30	18	45	21	30	20
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	1,850	1,876	1,350	1,400	1,400	1,600
CY Exp. to U.S.	20	80	0	50	0	50

Table 6. Rapeseed Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Rapeseed (1000 tons)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Crush	18,500	18,100	16,800	17,000	17,300	17,100
Extr. Rate, 999.9999	0.5951	0.5950	0.5951	0.5950	0.5951	0.5947

Beginning Stocks	0	0	0	0	0	0
Production	11,009	10,770	9,998	10,115	10,295	10,170
MY Imports	359	359	850	850	700	700
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	11,368	11,129	10,848	10,965	10,995	10,870
MY Exports	114	114	15	15	50	50
MY Exp. to EU	0	4	0	0	0	0
Industrial Dom. Cons.	450	450	450	450	450	450
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	10,804	10,565	10,383	10,500	10,495	10,370
Total Dom. Cons.	11,254	11,015	10,833	10,950	10,945	10,820
Ending Stocks	0	0	0	0	0	0
Total Distribution	11,368	11,129	10,848	10,965	10,995	10,870
CY Imports	504	504	650	800	600	700
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	107	107	30	30	60	50
CY Exp. to U.S.	0	4	0	0	0	0

Oils PSD Tables

Table 7. Soybean Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Soybean (1000 tons)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017

Crush	81,000	81,000	86,500	86,500	92,500	91,500
Extr. Rate, 999.9999	0.1792	0.1792	0.1792	0.1792	0.1792	0.179
Beginning Stocks	778	778	533	533	544	743
Production	14,515	14,515	15,501	15,500	16,576	16,378
MY Imports	586	586	620	620	500	500
MY Imp. from U.S.	100	20	100	180	100	100
MY Imp. from EU	0	0	0	0	0	0
Total Supply	15,879	15,879	16,654	16,653	17,620	17,621
MY Exports	96	96	110	110	100	120
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	15,250	15,250	16,000	15,800	16,950	16,488
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	15,250	15,250	16,000	15,800	16,950	16,488
Ending Stocks	533	533	544	743	570	1,013
Total Distribution	15,879	15,879	16,654	16,653	17,620	17,621
CY Imports	700	560	600	500	500	500
CY Imp. from U.S.	100	110	100	180	100	100
CY Exports	110	100	110	100	110	100
CY Exp. to U.S.	0	0	0	0	0	0

Table 8. Rapeseed Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Rapeseed (1000 tons)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Crush	18,500	18,100	16,800	17,000	17,300	17,100
Extr. Rate, 999.9999	0.3923	0.3920	0.3923	0.3923	0.3923	0.3923

Beginning Stocks	4,164	4,164	3,837	4,214	2,813	3,478
Production	7,258	7,095	6,591	6,669	6,787	6,708
MY Imports	768	768	850	800	750	700
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	40	0	50	0	0
Total Supply	12,190	12,027	11,278	11,683	10,350	10,886
MY Exports	3	3	15	5	5	5
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	8,350	7,810	8,450	8,200	8,250	8,200
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	8,350	7,810	8,450	8,200	8,250	8,200
Ending Stocks	3,837	4,214	2,813	3,478	2,095	2,681
Total Distribution	12,190	12,027	11,278	11,683	10,350	10,886
CY Imports	700	700	720	750	720	700
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	5	0	5	5	5	5
CY Exp. to U.S.	0	0	0	0	0	0

Table 9. Peanut Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Peanut (1000 tons)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Crush	8,800	8,850	9,000	9,000	9,300	9,250
Extr. Rate, 999.9999	0.3200	0.3200	0.32	0.32	0.32	0.32

Beginning Stocks	0	0	0	0	0	0
Production	2,816	2,832	2,880	2,880	2,976	2,960
MY Imports	113	113	130	100	130	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2,929	2,945	3,010	2,980	3,106	3,060
MY Exports	10	10	9	6	5	9
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	2,919	2,935	3,001	2,974	3,101	3,051
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	2,919	2,935	3,001	2,974	3,101	3,051
Ending Stocks	0	0	0	0	0	0
Total Distribution	2,929	2,945	3,010	2,980	3,106	3,060
CY Imports	120	107	130	110	130	110
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	7	9	6	8	5	9
CY Exp. to U.S.	0	0	0	0	0	0

Table 10. Sunflower Seed Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Sunflower Seed (1000 tons)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Crush	1,400	1,400	1,600	1,569	1,650	1,650
Extr. Rate, 999.9999	0.3586	0.3586	0.3588	0.3582	0.3588	0.3582

Beginning Stocks	0	0	0	0	0	0
Production	502	502	574	562	592	591
MY Imports	878	878	900	820	970	850
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	1	0	1	0	0
Total Supply	1,380	1,380	1,474	1,382	1,562	1,441
MY Exports	1	0	0	2	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1,379	1,380	1,474	1,380	1,562	1,441
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1,379	1,380	1,474	1,380	1,562	1,441
Ending Stocks	0	0	0	0	0	0
Total Distribution	1,380	1,380	1,474	1,382	1,562	1,441
CY Imports	850	957	900	850	960	860
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	1	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0

Table 11. Palm Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Palm (1000 tons)**					
	2015/16		**2016/17**		**2017/18**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2015		10/2016		10/2017
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0

Trees	0	0	0	0	0	0
Beginning Stocks	305	305	159	189	159	187
Production	0	0	0	0	0	0
MY Imports	4,689	4,689	4,900	4,800	4,900	4,850
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	4,994	4,994	5,059	4,989	5,059	5,037
MY Exports	5	5	0	2	0	2
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	2,050	2,050	2,100	2,100	2,100	2,150
Food Use Dom. Cons.	2,780	2,750	2,800	2,700	2,800	2,750
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	4,830	4,800	4,900	4,800	4,900	4,900
Ending Stocks	159	189	159	187	159	135
Total Distribution	4,994	4,994	5,059	4,989	5,059	5,037
CY Imports	4,479	4,479	4,900	4,800	4,900	4,800
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	7	7	0	2	0	2
CY Exp. to U.S.	0	0	0	0	0	0